



Weekly Regional HOG PRICE Report



June 2, 2020

Things to Consider....

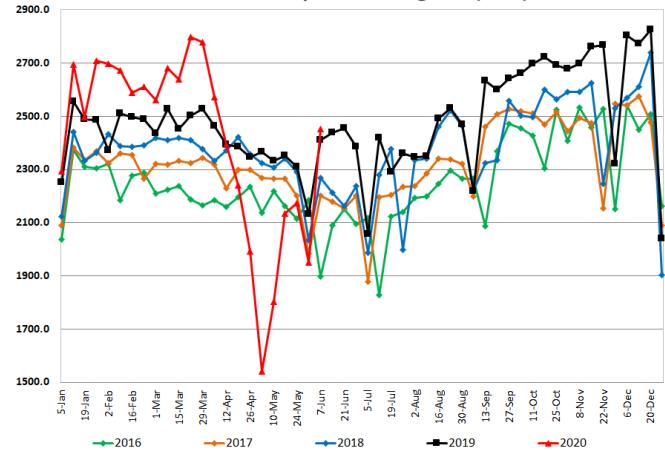
After 8 weeks of below year ago levels, US Federally Inspected hog slaughter returned to above year ago levels as the US packing industry attempts to work through the backlog of hogs in the system. Major disruptions to the processing industry were felt over the last 2 months as plants were closed due to the spread of Covid-19 within many facilities workforce. The backlog of animals was felt across the country and was reflected in lean hog cash prices and futures markets. With slaughter back near year ago levels, prices appear to have stabilized for the time being.

As a result of the backlog, average barrow and gilt weights skyrocketed to new highs for this time of year. The good news however is that the peak is over, and weights are starting to decline. There have been 3 consecutive weeks with lower reported weights with more room to the downside given seasonality. It is common for this time of year to see hog weights decline as warmer temperatures reduce growth rates. The trend of lower weights in the summer months is still expected however it may take longer to reach the seasonal lows of roughly 277 pounds.

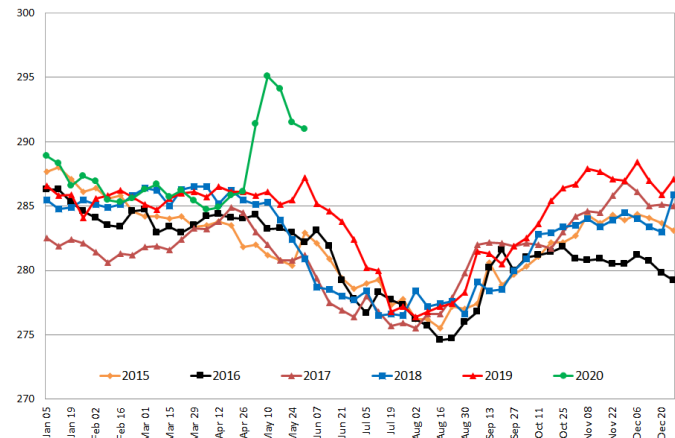
As can be seen in the lower graph, sow slaughter did not experience any major reduction due to the spread of Covid-19 through the packing industry. Sow slaughter facilities were able to continue near capacity for most of the last 3 months and seen numbers increase. Weekly slaughter of sows reached 70,000 which is roughly 10,000 animals more than the 5-year average. Year to date sow slaughter for 2020 is running 14% above 2019 and since the middle of April, sow slaughter is 20% higher than the same period in 2019. This level of sow slaughter confirms liquidation which will impact pig flows early in 2021.

For now, hog producers are encouraged to remain on the cash market and take advantage of improving pricing opportunities. Lean hog futures appear to have found some underlying support with Oct and Dec contract gaining roughly \$5 US per cwt in the past week.

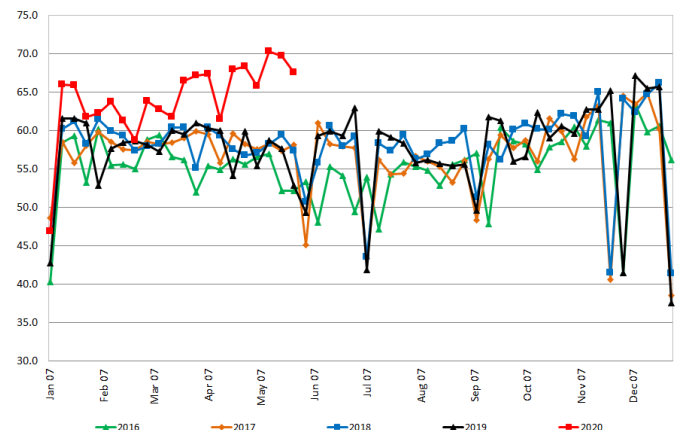
US Federal Inspected Slaughter ('000)



Weekly Average Barrow and Gilt Weight Live



US Federal Sow Slaughter ('000)



Weekly Hog Price Recap

Cash hogs fell for the better part of the week, particularly regional cash Thursday which reported more than \$1/cwt declines. CME cash also fell considerably from week ago levels, with modest mid-week gains not enough to offset weakness other days. Wholesale pork primals varied in value however most finished significantly lower, excluding bellies and hams which each improved. Pork cutout was \$8.96/cwt under the previous week.

USD Cash Price	Weekly Averages				w/w	% Chg
	Head	29-May-20	Head	22-May-20		
ISM pm		\$38.49		\$39.98	-\$1.49	-3.7%
WCB pm		\$38.56		\$39.28	-\$0.72	-1.8%
Nat pm		\$37.53		\$38.24	-\$0.71	-1.9%
CME Index*		\$62.26		\$65.73	-\$3.47	-5.3%
Sows, 300-449lbs	9,977	\$17.29	10,350	\$17.65	-\$0.36	-2.0%
Sows, 500+ lbs	10,400	\$24.47	10,081	\$24.55	-\$0.08	-0.3%
BoC Exch		1.3824		1.3934	-0.0110	-0.8%

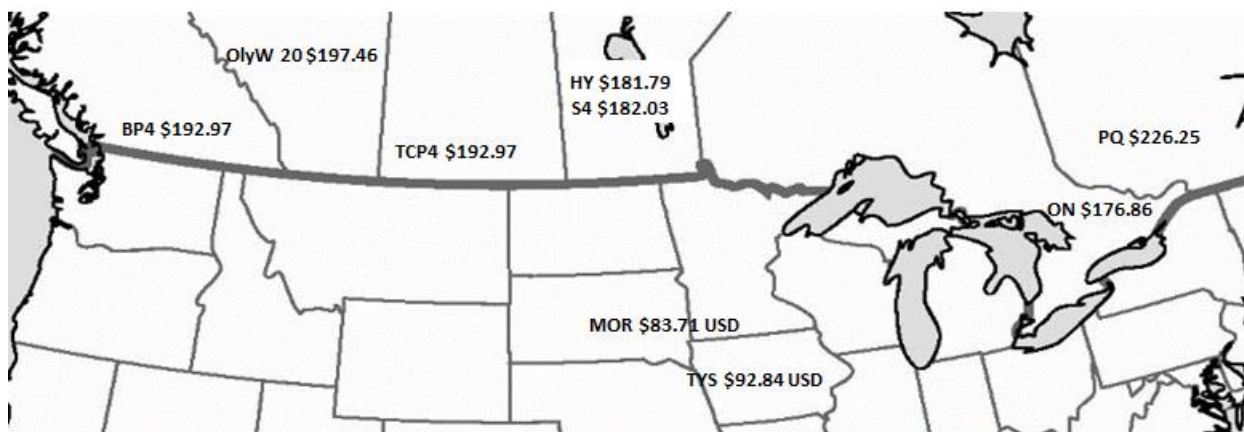
* Represents Friday-Thursday average

Monitored Canadian hog markets were weighed on again this week by lower hog and pork values. Quebec was down the most, falling \$22/hog from the previous week, while those out of the OlyW fell near \$20/hog. The Sig 4 fell more than \$11.50/hog, while Hylife and Ontario each declined around \$10.50/hog. In the US, Tyson values improved near \$1/hog while JM fell \$1.50/hog from the previous week.

Regional Pricing, \$/hog								
Packer/Region	3 Year	Difference to OlyW20	2020 YTD	Difference to OlyW20	Last 13 weeks	Difference to OlyW20	Ending 29-May-20	Difference to OlyW20
OlyW 2020***	\$182.81		\$171.42		\$175.77		\$197.46	
ML Sig 4	\$176.29	-\$6.52	\$167.20	-\$4.22	\$171.60	-\$4.17	\$182.03	-\$15.44
BP4/TCP4 **	\$175.45	-\$7.35	\$165.59	-\$5.83	\$168.88	-\$6.89	\$192.97	-\$4.49
Hylife	\$177.29	-\$5.51	\$168.26	-\$3.15	\$172.92	-\$2.85	\$181.79	-\$15.68
Ontario	\$180.20	-\$2.61	\$165.20	-\$6.22	\$168.79	-\$6.97	\$176.86	-\$20.60
Québec	\$186.84	\$4.03	\$192.25	\$20.83	\$204.18	\$28.41	\$226.25	\$28.78
Tyson (USD)	\$135.46	-\$47.35	\$110.19	-\$61.23	\$105.19	-\$70.58	\$92.84	-\$104.62
John Morrell (USD)	\$127.86	-\$54.95	\$100.33	-\$71.09	\$94.24	-\$81.53	\$83.71	-\$113.75

**Thunder Creek reported with a 1-Week lag

***OlyW20 was calculated using formulas for 3 years previous to provide comparisons above. Price includes \$0.06 per kg proximity bonus



Weekly Hog Margins

Canadian hog margins weakened on falling cash hog and cutout values however did receive support from another decline in feed costs. Canadian farrow to finish feed costs fell \$1/hog while those in the monitored US region were down a more modest \$0.25/hog from the previous week.

Margins out of Quebec remain the strongest north of the border, weakening \$21/hog to \$48/hog profits, while the OlyW 20 weakened \$18.75/hog to \$20/hog profits. The Sig 4 fell \$10.50/hog to \$7.50/hog profits and Hylife fell \$9.75/hog to \$7/hog profits. Hog margins out of Ontario are among the weakest on the Canadian side, down near \$9.50/hog to \$1/hog losses. In the US, Tyson margins improved \$1.75/hog to \$30.75/hog losses while JM weakened \$1.25/hog to \$38/hog losses from week ago levels.

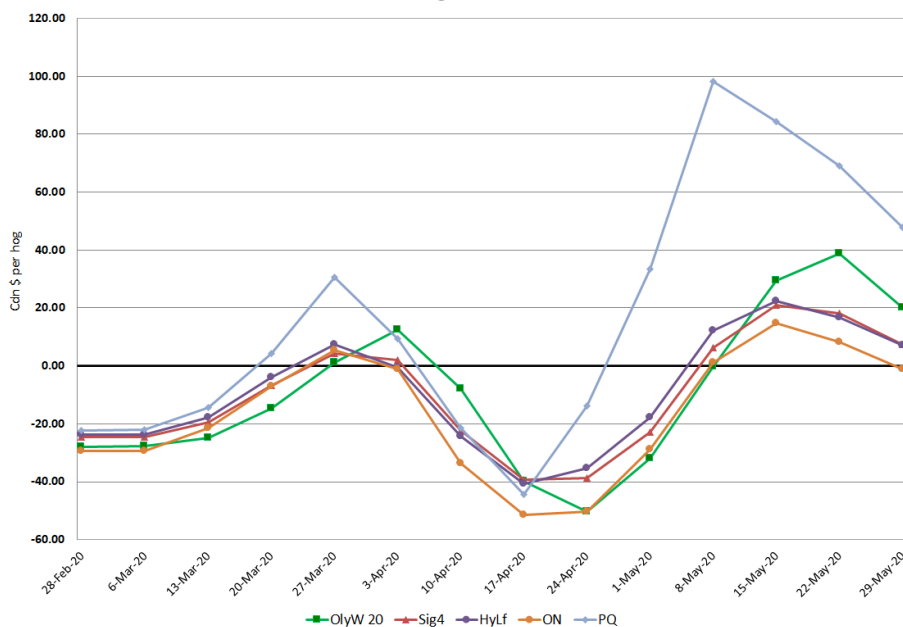
Regional MARGINS, \$/hog						
Packer/Region	29-May-20	Farrow to Finish			Total	Weekly
	Hog Price	Feed*	Variable	Fixed	COP	Margin
OlyW 20/Alberta	\$197.46	\$117.78	\$39.45	\$20.05	\$177.28	\$20.18
ML Sig 4/Manitoba	\$182.03	\$115.52	\$39.54	\$19.55	\$174.61	\$7.42
Hylife/Manitoba	\$181.79	\$115.53	\$39.54	\$19.55	\$174.62	\$7.17
Ontario	\$176.86	\$113.46	\$40.71	\$23.76	\$177.93	-\$1.07
Québec	\$226.25	\$116.15	\$40.50	\$21.65	\$178.30	\$47.95
Tyson (USD)/Iowa	\$92.84	\$78.36	\$28.70	\$16.57	\$123.63	-\$30.79
John Morrell (USD)/ND	\$83.71	\$76.63	\$28.70	\$16.57	\$121.90	-\$38.19

* Feed costs standardized for a 285 pound market hog

US Regional Margins

- Tyson: \$ (30.79) USD X 1.3824 = \$ (42.56) in Canadian Dollars
- Morrell \$ (38.19) USD X 1.3824 = \$ (52.79) in Canadian Dollars

Canadian Margins Last 13 weeks



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